



The Commonwealth of Massachusetts

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

THIRD SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO BOSTON EDISON COMPANY, CAMBRIDGE ELECTRIC LIGHT COMPANY, COMMONWEALTH ELECTRIC COMPANY AND NSTAR GAS COMPANY DTE 05-85

Pursuant to 220 C.M.R. § 1.06 (6)(c), the Department of Telecommunications and Energy ("Department") submits to Boston Edison Company ("BECo"), Cambridge Electric Light Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth") (together "NSTAR Electric") and NSTAR Gas Company ("NSTAR Gas," collectively with NSTAR Electric, the "Companies") its Third Set of Information Requests relative to their petition for approval of a rate settlement agreement ("Settlement") entered into with the Attorney General of the Commonwealth of Massachusetts, the Low-Income Energy Affordability Network and the Associated Industries of Massachusetts (collectively with the Companies, the "Settling Parties").

Requests

- DTE 3-1 Refer to Exhibit NSTAR-23 (Settlement), at 2, § IV (Implementation). The Companies intend to offer the Arrearage Forgiveness Program to 350 of its customers no later than January 1, 2006, and to the remainder of its customers in two additional phases during calendar year 2006. The first phase is intended to commence by May 1, 2006 - when will the second phase commence?
- DTE 3-2 Do the Settling Parties believe that the Settlement precludes the Department from having NSTAR Electric and NSTAR Gas recover the costs associated with the low-income discount on a dollar-for-dollar basis, similar to the method the Department has directed Bay State Gas to implement in Bay State Gas Company, D.T.E. 05-27 (2005)? If not, why not? If so, please explain.
- DTE 3-3 Please explain how NSTAR Electric derived the standby rates, maintenance rates and supplemental rates for each of its electric distribution companies.
- DTE 3-4 Please explain why the transition charge for rates SB-1 and MS-1 for Cambridge will increase from \$0.0000 per kilowatthour ("KWH") to \$0.01315 per KWH on January 1, 2006. Please provide the bill impacts for these rate classes comparing current rates to the rates that will take effect on January 1, 2006.

- DTE 3-5 Refer to Exhibit NSTAR-GOL/CLV-1, at 15. Please indicate if the Settlement proposes to continue to apply the present ratemaking treatment of the \$35.4 million adjustment for wholesale revenue credit during the entire term of the proposed settlement. If yes, please state and discuss the basis for such a ratemaking treatment.
- DTE 3-6 Refer to Exhibit BEC-CLV-2, line 12. Please provide a schedule that summarizes the following items for the period from 1998 through 2012:
- (a) The total annual amount of wholesale revenues broken down by each wholesale customer, using estimated or projected data for 2005 through 2012.
 - (b) The difference between the total annual wholesale revenues and \$35.4 million.
 - (c) The corresponding annual amount recovered as transition costs.
- DTE 3-7 Please provide a copy of the wholesale revenue credit schedule filed as Exhibit BEC-CLV-2, at 5 in D.T.E. 04-113. Provide a copy of the same schedule for BECo's annual reconciliation filings for 1998 through 2003.
- DTE 3-8 Refer to Exhibit NSTAR-5, at 13. Please describe with supporting schedules, or cross reference to any document filed, the following:
- (a) How the changes in the proposed distribution energy charges and transition charges for Rate WR were calculated.
 - (b) The impact, if any, of the above proposed changes on the provisions of any previous settlement agreement relating to Rate WR, identifying such previous settlement agreement.
- DTE 3-9 Refer to the proposed M.D.T.E. Nos. 135E and 135F. Please describe with supporting schedules, or cross reference to any document filed, how the Transition Cost Adjustment (special provisions) of -0.295 cents per kWh was calculated.
- DTE 3-10 Please provide red-lined/strike-out versions of the proposed Rate WR tariffs Nos. M.D.T.E. 135E and 135F comparing them to the existing tariff.

- DTE 3-11 Refer to Section 2.6 of the Settlement. Please explain why the SIP program described herein appears to run for six full years (e.g., six stipulated offsets), versus the five years from January 1, 2007 through January 1, 2012 referenced in this section.
- DTE 3-12 Refer to Section 2.6.5 of the Settlement. Please provide complete and detailed documentation demonstrating how the Exogenous Cost Threshold is derived. As part of this response, provide the exogenous thresholds for Cambridge and Commonwealth, and show how they were derived.
- DTE 3-13 Refer to Section 2.6.5 of the Settlement. Please explain the rationale for having the Exogenous Cost Threshold increase annually.
- DTE 3-14 Refer to Section 2.12 of the Settlement. Will the consolidation and redesign of rates for BECo, Cambridge and Commonwealth into a single set of NSTAR Electric tariffs be revenue neutral to NSTAR Electric? If the consolidation does not produce revenue-neutral tariffs, what are the total incremental revenues that NSTAR Electric will realize from January 1, 2010 to the end of the SIP as a consequence of the distribution rate consolidation and redesign?
- DTE 3-15 Refer to Section 2.25 of the Settlement. Provide any analyses or work sheets that led to the derivation of the \$10 million figure for infrastructure improvements related to stray voltage, double poles, and manholes or operations and maintenance expenses related to these projects.
- DTE 3-16 Refer to Section 2.16 of the Settlement. Is it the position of the Settling Parties that Department approval of the Settlement will be dispositive in any way of the anticipated merger petition to be filed under G.L. c. 164, §§ 14, 21, and 96? If so, please discuss in what way and pursuant to what authority.
- DTE 3-17 Refer to Sections 2.2 and 2.4 of the Settlement, as well as: (1) Exhibit BEC-CLV-1, at 1-8 from D.T.E. 05-88; and (2) Exhibits CAM-CLV-1, at 1-8 and COM-CLV-1, at 1-8 from D.T.E. 05-89. Please recalculate and highlight the referenced transition charge calculations and supporting documents found in the most recent BECo and Cambridge/Commonwealth reconciliation filings to show the changes that would occur if the Settlement is approved. Provide electronic copies of the underlying data in Microsoft Excel format.
- DTE 3-18 Refer to Section 2.21 of the Settlement. Please explain how NSTAR Electric will structure the new ladder approach for the procurement of default service

for residential customers. What length contracts will it procure for the 50 percent of load not yet purchased as of July 1, 2006?

- DTE 3-19 Refer to Section 2.21 of the Settlement. Please explain how the proposed laddered approach for the procurement of default service for residential customers will be of benefit to customers. Please provide a quantitative, hypothetical example.
- DTE 3-20 Refer to Section 2.21 of the Settlement. Are there any changes as part of the Settlement that will change the process for procurement of default service for small commercial and industrial customers?
- DTE 3-21 Refer to Section 2.21 of the Settlement. Please explain when “a method for further review and possible modification for contracts of longer terms” will be provided to the Department.
- DTE 3-22 Refer to Section 2.21 of the Settlement. The Settlement requires NSTAR Electric to design an electricity procurement system for residential customers to take effect July 1, 2006, such that: (1) 50 percent of residential load will be procured under one-year contracts; (2) 25 percent of residential load will be procured under two-year contracts; and (3) 25 percent of residential load will be procured under three-year contracts. Please explain how the terms and manner of procurement were determined.
- DTE 3-23 Please discuss what effect approval of the Settlement would have on the transition charge mitigation incentive received by BECo, Cambridge and Commonwealth. Provide complete and detailed documentation.
- DTE 3-24 Refer to Article 2.11 of the Settlement. Will the changes that NSTAR Electric proposes to make to the tariff definitions, rate eligibility, and terms for customer service result in a change to the cost any customer pays for electric service? If yes, please explain in detail the effect on customers bills.
- DTE 3-25 Refer to Exhibits NSTAR-CLV-2, at 9 and NSTAR-GOL/CLV-1, at 41. Why did NSTAR Electric use an assumed 50/50 debt equity ratio for Cambridge, Commonwealth, and NSTAR Gas, but not for BECo?
- DTE 3-26 Refer to Exhibits NSTAR Electric-PRM-1 and NSTAR Electric-PRM-2, Schedule 3. Why did Mr. Moul choose to include NSTAR in the Electric Group?

- DTE 3-27 Refer to Exhibits NSTAR Electric-PRM-1 and NSTAR Electric-PRM-2, Schedule 3. Why did Mr. Moul choose not to do a separate analysis of NSTAR?
- DTE 3-28 Refer to Exhibit NSTAR Electric-PRM-1. Why did Mr. Moul not assess the individual Returns on Equity (“ROEs”) for each of the Companies?
- DTE 3-29 Refer to Exhibit NSTAR-GOL/CLV-1, at 5-6. Please explain in detail the adjustments made to the booked financial records for BECo, Cambridge, Commonwealth, and NSTAR Gas for the last six months of 2004 and the first six months of 2005 to transform this data into a representative test year, before adjustments for known and measurable changes.
- DTE 3-30 Refer to page 4 of Exhibit NSTAR-JJJ-1. Please provide an analysis of the \$89 million rate increase by contributing factor and dollar amount.
- DTE 3-31 Refer to Exhibit CLV-2, at 2, ln. 62, for the Companies. Please explain where pension and PBOP expenses recovered through the Pension Adjustment Mechanism (“PAM”) have been excluded from operations and maintenance expense. In addition, explain where carrying charges recovered through the PAM are reflected in the cost of service.
- DTE 3-32 Refer to Section 2.24 of the Settlement. Please explain whether the arrearage forgiveness program proposed within the Settlement is intended to satisfy, in whole or in part, the requirements set forth in St. 2005, c.140, the Heating Energy Assistance Act, including the filing of an arrearage management program with the Department by December 30, 2005 in D.T.E. 05-86. If so, discuss how the proposed program meets the requirements of Chapter 140.
- DTE 3-33 Please provide a table outlining the following as proposed by the Settlement for NSTAR Electric:
- (a) rate class (residential, small commercial and industrial ("C&I"), medium C&I, large C&I, street lighting);
 - (b) rate tariff (i.e., R-1, G-2, etc.); and
 - (c) procurement schedule (i.e., 50 percent under one-year contracts, 100 percent under three-month contracts, etc.)

- DTE 3-34 Please provide a list of any occurrences for NSTAR Electric in which a customer would be classified under a particular class in one service territory, but would be another class were the customer located in another service territory (for example, a customer served under Rate G-1 in Commonwealth's service territory being considered a Rate G-2 customer in Cambridge's service territory).
- DTE 3-35 Refer to Section 2.6.5 of the Settlement. Is the \$1,800,000 exogenous cost threshold intended to be applicable on a system-wide basis for NSTAR Electric, or is the threshold intended to be apportioned among BECo, Cambridge, and Commonwealth? If the threshold is intended to be apportioned among NSTAR's electric operating companies, provide the exogenous cost threshold for BECo, Cambridge, and Commonwealth.
- DTE 3-36 Refer to Section 2.25 of the Settlement. Please explain the phrase "by applying the same requirements as exogenous factor impacts as set forth in paragraph 2.6.5."
- DTE 3-37 Refer to Section 2.25 of the Settlement. Please provide the test year capital costs and test year operating and maintenance expenses associated with each of the following programs: (a) stray voltage inspection-survey and remediation; (b) double pole inspection, replacement/restoration and transfer; and (c) manhole inspection, repair and upgrade.
- DTE 3-38 Refer to Section 2.21 of the Settlement. Please identify by citation the authority, rule, regulation, etc., that allows NSTAR Electric to implement and practice a ladder approach for the procurement of default service for residential customers.